

Washington State Auditor's Office

Audit Report

City of Aberdeen Grays Harbor County

Audit Period
January 1, 1997 through December 31, 1997

Report No. 59964

Issue Date
March 19, 1999



Washington _____
State Auditor

Brian Sonntag

Audit Summary

**City of Aberdeen
Grays Harbor County
January 1, 1997 through December 31, 1997**

ABOUT THE AUDIT

This report contains the results of our annual independent audit of the City of Aberdeen for the period January 1, 1997, through December 31, 1997.

Audit procedures were performed to determine whether the City complied with state laws and regulations, its own policies and procedures and federal grant requirements. We also audited the financial statements and evaluated the internal controls established by City management. The audit work focused on areas with a potential risk for abuse or misuse of public resources.

RESULTS

The City of Aberdeen complied with state laws and regulations and its own policies and procedures in the areas we examined. The City also complied with federal requirements for the grant it received from the U.S. Department of Justice. We found the City's financial statements to be accurate.

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Grays Harbor County
January 1, 1997 through December 31, 1997**

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Description of the City

City of Aberdeen Grays Harbor County January 1, 1997 through December 31, 1997

ABOUT THE CITY

The City of Aberdeen was incorporated in 1890 and operates under a Mayor-Council form of government. There are 12 elected Council Members and the Mayor.

The City has a \$21.9 million annual budget and employs 178 people. A full range of services are provided to its citizens, including parks and recreations, planning and zoning, police, building inspection, street maintenance and construction, engineering, fire and emergency medical. By agreement with Grays Harbor County and the City of Hoquiam, the City of Aberdeen operates the Grays Harbor County Drug Task Force.

ELECTED OFFICIALS

These members of the City of Aberdeen served during the audit period:

Mayor	Chuck Gurrad	
Council Members:	Bob Shortt	Rhonda Steinman
	David Batchelor	Jim Mitby
	Jo-Ann Andrews	Tom Laufmann
	Tobi Buckman	Terry Ogren
	Peter Shave	Bill Simpson
	Jerry Mills	Jack Micheau

APPOINTED OFFICIALS

Finance Director	Fred Thurman
City Attorney	Eric Nelson
Chief of Police	Bob Maxfield
Fire Chief	Steve Mitchell
Public Works Director	Jim Robertson
Parks and Recreation Director	Wes Peterson
Planning and Economic Development	Brian Shea
Personnel Services Manager	Marsha Olsen

ADDRESS

City	200 East Market Aberdeen, WA 98520
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Audit Areas Examined

City of Aberdeen Grays Harbor County January 1, 1997 through December 31, 1997

In keeping with general auditing practices, we do not examine every portion of the City's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years. The following areas of the City were examined during this audit period:

LEGAL COMPLIANCE

We audited the following areas for compliance with certain applicable state and local laws and regulations:

- Budgeting requirements
- Insurance and bonding
- Contracts and agreements
- Open public meetings laws
- Statutory debt limitation
- Ethics/conflict of interest laws and policies
- Long-term debt requirements
- State grant expenditures
- Propriety of interfund transfers and loans
- Journal vouchers
- Bid law requirements

INTERNAL CONTROL

We evaluated the following areas of the City's internal control structure:

- Cash receipting (Utility, Finance, Parks, Animal Services and Police Departments, as well as Municipal Court)
- Cash disbursements/checks
- Petty cash and change funds
- Payroll
- Utility billings and receivables
- Purchase of goods and services
- Property and equipment

FINANCIAL AREAS

In addition to the financial-related work listed in other categories, we audited the following areas:

- Cash and investments
- Overall presentation of financial statements
- Property and equipment
- Accounts receivable and accounts payable
- Revenues, expenditures and expenses
- Long-term liabilities

FEDERAL PROGRAMS

We evaluated internal controls and tested compliance with the following federal requirements for the City's major federal programs. A complete list of programs is provided in the Federal Summary section of this report:

- Spending grant funds for allowable activities
- Federal reporting requirements
- Providing non-federal funds to meet grant matching requirements

Audit Overview

City of Aberdeen Grays Harbor County January 1, 1997 through December 31, 1997

AUDIT HISTORY

We audit the City of Aberdeen annually. The 1992 through 1994 audits of the City of Aberdeen reported some areas of concern.

The 1992 report contained three internal control findings covering weaknesses in accounting controls over fixed assets, annual budgets and charge cards.

The 1993 report contained three internal control findings covering weaknesses in accounting controls over annual budgets, financial reports and the City's travel policy.

The 1994 report contained three internal control findings covering weaknesses in accounting controls over annual budgets and financial reports.

The City has been very responsive to prior audit recommendations. The City took steps to improve internal control weaknesses and as a result there were no findings reported in the 1995 or 1996 reports. Audit concerns are often discussed, addressed and resolved before completion of our audit.

CONCLUSIONS

In the areas examined, we found the City of Aberdeen complied with state laws and regulations, its own policies and procedures, and requirements of federal financial assistance. We also found the City's financial statements to be accurate.

A major focus of our audit was on cash receipting procedures and control of property and equipment at the Finance Department, Police Department and Municipal Court. We found the City has established good procedures and a strong accounting control structure in these areas.

We thank the City's staff members for their assistance and cooperation during the audit.

Federal Summary

**City of Aberdeen
Grays Harbor County
January 1, 1997 through December 31, 1997**

The results of our audit of the City of Aberdeen are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

- We issued an unqualified opinion on the City's financial statements.
- We noted no instances of noncompliance that were material to the financial statements of the City.
- We issued an unqualified opinion on the City's compliance with requirements applicable to its major federal programs.
- We reported no findings which are required to be disclosed under OMB Circular A-133.
- The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.
- The City qualified as a low-risk auditee under OMB Circular A-133.
- The following was a major program during the period under audit:

CFDA No.

Program Title

16.579

Drug Control and Systems Improvement – Formula Grant

Independent Auditor's Report on Compliance and Internal Control over Financial Reporting in Accordance with Government Auditing Standards

**City of Aberdeen
Grays Harbor County
January 1, 1997 through December 31, 1997**

City Council
City of Aberdeen
Aberdeen, Washington

We have audited the financial statements of the City of Aberdeen, Grays Harbor County, Washington, as of and for the year ended December 31, 1997, and have issued our report thereon dated November 6, 1998, which was qualified due to the omission of the year 2000 disclosures that are required by Governmental Accounting Standards Board Technical bulletin 98-1, Disclosures about Year 2000 issues.

As described in our report on the financial statements, our opinion is qualified because the City declined to present a statement of cash flows and a statement of plan net assets, which are departures from generally accepted accounting principles.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

COMPLIANCE

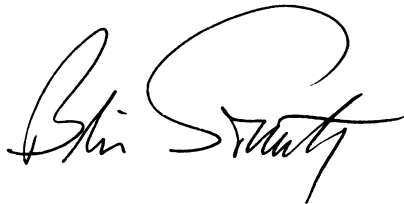
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatements, we performed tests of City's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We also performed additional test of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the City complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the City's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the City and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of material noncompliance that are required to be reported herein under *Government Auditing Standards*.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to

the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the City Council and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag", with a large, stylized loop at the end.

BRIAN SONNTAG, CGFM
STATE AUDITOR

November 6, 1998

Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

**City of Aberdeen
Grays Harbor County
January 1, 1997 through December 31, 1997**

City Council
City of Aberdeen
Aberdeen, Washington

COMPLIANCE

We have audited the compliance of the City of Aberdeen, Grays Harbor County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 1997. The City's major federal program is identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit in compliance with generally accepted auditing standards; the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1997.

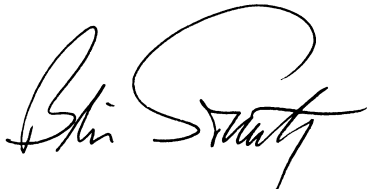
INTERNAL CONTROL OVER COMPLIANCE

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the

risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the City Council and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag", with a large, stylized "S" at the end.

BRIAN SONNTAG, CGFM
STATE AUDITOR

November 6, 1998

Independent Auditor's Report on Financial Statements and Additional Information

City of Aberdeen Grays Harbor County January 1, 1997 through December 31, 1997

City Council
City of Aberdeen
Aberdeen, Washington

We have audited the accompanying balance sheet of the City of Aberdeen, Grays Harbor County, Washington, as of and for the year ended December 31, 1997, and the related statements of revenues, expenditures and changes in fund balance for the year ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures About Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue in order for financial statements to be prepared in conformity with generally accepted accounting principles. Such required disclosures include:

- Any significant amount of resources committed to make computer systems and other electronic equipment year 2000 compliant;
- A general description of the year 2000 issue, including a description of the stages of work in process or completed as of the end of the reporting period to make computer systems and other electronic equipment critical to conducting operations year 2000 compliant; and
- The additional stages of work necessary for making the computer systems and other electronic equipment year 2000 compliant.

The City has omitted such disclosures. We do not provide assurance that the City is or will be year 2000 ready, that the City's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the City does business will be year 2000 ready.

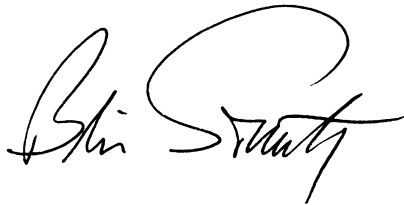
The City of Aberdeen declined to present a statement of cash flows for the year ended December 31, 1997. Presentation of such statements summarizing the City's operating, investing and financing activities is required under generally accepted accounting principles (GAAP).

The City also declined to present a statement of plan net assets of its Pension Trust Fund for the year ended December 31, 1997. Presentation of such statements summarizing the City's changes in plan net assets of its Pension Trust Fund is required by GAAP.

In our opinion, except that the omission of a statement of cash flows and statement of plan net assets that results in an incomplete presentation and as explained in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Aberdeen, at December 31, 1997, and the results of its operations and cash flows of its proprietary fund types and similar trust funds for the fiscal year ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 1998, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of State and Local Financial Assistance is also presented for purposes of additional analysis. These schedules are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Brian Sonntag", with a large, stylized loop at the end.

BRIAN SONNTAG, CGFM
STATE AUDITOR

November 6, 1998

Financial Statements

**City of Aberdeen
Grays Harbor County
January 1, 1997 through December 31, 1997**

FINANCIAL STATEMENTS

Combined Balance Sheet – All Fund Types and Account Groups – 1997
Combined Statement of Revenues, Expenditures & Changes in Fund Balance – All Governmental
Fund Types and Expendable Trust Funds – 1997
Combined Statement of Revenues, Expenditures & Changes in Fund Balance – Budget and
Actual – All Governmental Fund Types – 1997
Combined Statement of Revenues, Expenses & Changes in Fund Equity – Proprietary Fund
Types and Similar Trust Funds – 1997
Notes to the Financial Statements – 1997

ADDITIONAL INFORMATION

Schedule of State and Local Financial Assistance – 1997
Schedule of Expenditures of Federal Awards – 1997
Note to Schedule of Financial Assistance – 1997